



U.S. Department of Justice

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September 30, 2016

BY ECF

The Honorable Ann M. Donnelly
United States District Judge
United States District Court
Eastern District of New York
225 Cadman Plaza East
Brooklyn, New York 11201

Re: United States v. HSBC Bank USA, N.A. and HSBC Holdings PLC
Criminal Docket No. 12-763 (AMD)

Dear Judge Donnelly:

Pursuant to the Court's July 1, 2013 Order directing the government to file quarterly reports regarding the implementation of the deferred prosecution agreement ("DPA") in the above-captioned matter, the government submits this status report.

During the last quarter, the Monitor made substantial progress towards completing his review of eleven of HSBC's country operations. The countries that the Monitor is reviewing are Argentina, Bangladesh, China, Germany, Italy, Malaysia, Singapore, Taiwan, the United Kingdom, the United States, and Uruguay. These reviews are intended to give the Monitor a more thorough understanding of HSBC's worldwide anti-money laundering ("AML") and sanctions compliance program. In conjunction with the country reviews, the Monitor has continued to: (1) conduct thematic reviews of HSBC's AML and sanctions compliance program within certain business lines, including trade finance, global private banking, and correspondent banking; (2) assess group-level enhancements to HSBC's AML and sanctions compliance program; and (3) assess any of HSBC's compliance program remediation efforts that are not addressed through other monitoring activities. The Monitor's findings with respect to all of these reviews and assignments will be included in the Third Annual Follow-up Report scheduled to be issued in the first quarter of 2017.

The Monitor has also continued to review HSBC's implementation of recommendations that the Monitor issued in his initial report that was submitted in January 2014. The government and the Monitor agree that HSBC has made progress towards implementing

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effective global AML standards. Through his review, however, the Monitor has identified certain areas of weakness within HSBC's AML and sanctions compliance program where further remediation may be required, including HSBC's processes for identifying payment originator and beneficiary information. The government continues to assess HSBC's ongoing work to remediate any areas of weakness, and HSBC continues to show a commitment to meeting its obligations under the DPA. The Monitor is expected to make specific findings regarding HSBC's implementation of the Monitor's recommendations as part of the Monitor's Third Annual Follow-up Report.

The government is unaware of any issues that require the Court's intervention at this time.

Respectfully submitted,

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cc: All Counsel of Record (via ECF)